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GOVERNMENT'S ROLE IN PRICING FLUID MILK
IN THE UNITED STATES

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GOVERNMENT'S ROLE IN PRICING FLUID MILK IN THE UNITED STATES

Government participation in the pricing of fluid milk in the United States was inaugurated on a rather broad scale in the early 1930's. A number of States enacted legislation to stabilize milk markets in an attempt to raise prices for milk. The Federal Government entered the fluid milk pricing field following passage of the Agricultural Adjustment Act in 1933. Expansion of Government participation in milk pricing was slow in the late 1930's and little growth occurred during the 1940's. However, during the last ten years, the role of Governments in pricing milk has increased rapidly. As of July 1, 1962, a total of 83 Federal milk marketing orders were in effect in the United States. Since January 1, 1960 three states, Mississippi, Oregon, Wyoming have enacted legislation to establish milk prices. One State, Rhode Island, effective July 1, 1962, discontinued pricing of milk. Twenty States now are regulating fluid milk prices.

In a number of recent sessions of State legislatures bills have been introduced to establish agencies for directly regulating milk prices. An increasing number of the States without milk control laws, are indirectly affecting milk prices through regulation of such "fair trade" practices as those relating to selling products below cost, price discrimination, granting discounts or rebates. Many States with milk pricing regulations enforce such measures in order to obtain compliance with resale prices.

Dynamic changes in the production and marketing of milk are responsible for the increased demand by producers and other elements in the dairy industry for Government participation in milk pricing. The changes that have been affecting marketing are both institutional and economic. Institutional changes consist primarily of the decrease in number of distributing firms involved in fluid milk handling and the increase in size of surviving firms, in some instances to national distributorships. Accompanying these changes has been an increase in the size of cooperative organizations that farmers develop to bargain for the pricing of milk. Some cooperative associations have expanded existing milk-distributing plants which have been operated for years, and others, which in the past did not operate any plants or only manufacturing plants, have expanded into direct distribution of fluid milk. Cooperative associations also have been merging and consolidating.

Many of the changes in milk marketing which might be described as economic in nature have a beginning in technological developments. Examples of these are im-

provements in efficiencies of producing and handling milk on farms, and even more important, perhaps, the improved facilities for handling and trucking milk from farms to the processing plants and finally from the processing plants to the ultimate consumers. Developments of this nature have added to the geographical coverage of individual market areas and have increased competition from different points of production and consumption. A great deal of the movement of milk to fluid markets now involves more than one State. This has been a factor in the increasing demand for Federal orders, since an individual State cannot regulate the marketing of milk which comes from outside its borders. By the same token, more attention must be given economic conditions in other markets though the order is still established and maintained for a separate localized area.

Federal authority for the regulation of milk handling and participation in the price-determining process was first provided in the Agricultural Adjustment Act of 1933. The Federal orders of the present time, however, are based on the Agricultural Marketing Agreement Act of 1937, as amended. This act sets out in detail the general authority granted in the earlier legislation. The authority for regulating milk prices in an individual State is, of course, the State law. Twenty States have regulations establishing milk prices. Under these laws producer prices are fixed in all of the 20 States, and resale prices are established in 14. (See table 1.)

The total influence of Federal and State milk pricing activities goes well beyond the area actually controlled by these two jurisdictions. About 45 percent of milk now sold wholesale by farmers is marketed under the terms of the 83 Federal milk marketing orders. In 1961, more than 193,000 farmers sold 49 billion pounds of milk to purchasers who were required to pay the minimum prices established by these orders. The total farm value of milk marketed under the program was over 2 billion dollars. The markets in which Federal milk orders operate are listed in table 2 and are shown in the accompanying chart. Of the 45 billion pounds of milk that moved directly to Federal order markets in 1961, about 30 billion pounds were sold for consumption in fluid form. Some of the State laws apply only to certain areas within the States. Making allowance for this, it is estimated that State milk control laws affected directly another 17 or 18 billion pounds of milk in 1961. Prices for fluid milk in many markets not covered by Federal or State measures are influenced by the prices established in the areas under the control of either jurisdiction.

FEDERAL MILK MARKETING ORDERS

A Federal milk marketing order is a legal instrument issued to apply to a certain specified area and requires milk dealers (usually called milk handlers) to pay cer-

tain minimum prices for the different use classifications and to observe certain terms of sale with respect to milk purchased from milk producers. Although the orders

are issued primarily to establish minimum prices to producers, only milk handlers are regulated under a Federal order. The handlers are directed to pay not less than minimum prices established in the order and to comply with certain rules regulating the handling of milk in the market. Federal orders do not fix resale prices for milk. Wholesale and retail prices for fluid milk, unless prescribed by State authority, are established through competition among handlers in line with the minimum price for milk purchased.

Prices are established on the basis of use made of the milk. Milk sold for a fluid use is priced at a level which is consistent with the value of milk for the fluid market, and milk purchased in excess of fluid sales is priced at approximately a level of prices paid by dairy product manufacturers for milk they purchased exclusively for dairy products. Farmers receive a "blend" or a "uniform" price for milk which reflects the proportion utilized in different outlets as well as price levels in those outlets; the relationship between blend and the Class 1 prices varies considerably among markets.

Federal milk orders generally do not guarantee a fixed level of Class 1 price or a fixed level for the price of any other class for any period--short-term or long-term. Minimum prices are established by formulas for each class which are designed to maintain an appropriate relationship to other prices, that is, prices in other markets for the same classes as well as the general level of prices for manufacturing milk. The blend price in a given market usually changes each month even though the prices for the individual classes may remain unchanged. This fluctuation in the blend price is the result of changes in proportions used in the different classes. Federal milk orders do not control production, except through price, or restrict the marketing of milk by farmers in any market. They do not establish sanitary regulations applicable to milk sold in fluid markets which are administered by local and State health authorities. With respect to the matter of health inspection as well as a number of other aspects of institutional arrangements, the Federal milk marketing order takes those conditions as given and is adapted to operate in that particular setting.

PROCEDURE FOR DEVELOPING A FEDERAL ORDER

A number of steps are involved in instituting a marketing order for any given milk market. Several months to a year or more may be required to complete the process. Steps in the procedure are as follows: (1) Action usually is initiated by cooperative associations of milk producers. This action usually takes the form of a petition to the Secretary of Agriculture of the U. S. (2) Upon receipt of the petition, accompanied by a proposed order, the Secretary may direct that an investigation be made as a basis for determining whether further steps should be taken toward establishing an order. (3) If it is decided to proceed,

counter proposals are invited, then a notice of public hearing including the proposed order and other proposals are placed in the Federal Register. Simultaneously with the filing of the notice for publication in the Federal Register, a press release giving a summary of the proposed order is issued by the U. S. Department of Agriculture. A copy of the notice of hearing is mailed to the Governors of each of the States which would be affected by the proposed order and to other persons known to be interested. (4) At the hearing, all interested parties, including producers, milk handlers, and consumers, are given an opportunity to present facts and opinions relative to (a) interstate aspects of commerce in milk in the marketing area, (b) the need or desirability for an order, and (c) the specific terms of any order which might be issued. (5) Based on testimony presented at the hearing, a Recommended Decision and Order is developed and issued by an Assistant Secretary of Agriculture. These documents are filed for publication in the Federal Register. (6) A period of time, usually 20 days, is allowed for interested parties to examine the proposal and to file exceptions to any part of it. (7) These exceptions are considered, and changes in the original proposal are made as deemed necessary or desirable. (8) The final decision and final order are issued by the Secretary and published in the Federal Register. (9) The order becomes effective at a date specified by the Secretary after approval by at least two-thirds of the producers supplying milk for the area (if the order provides for individual handler pools, by three-fourths of the producers) during a representative period prior to issuance of the final order. The legislation provides that a milk producer's cooperative may vote all its members for or against a proposal. Orders usually are amended in the same manner as the original orders are developed and issued. To cope with emergency situations, orders are sometimes suspended, in whole or in part. An order must be terminated at the request of more than 50 percent of the producers supplying more than 50 percent of the milk for the market, and by the Secretary if he finds the order no longer carries out the purposes of the Act.

ADMINISTRATION OF FEDERAL MILK ORDERS

After a Federal milk order has been developed according to these procedures a market administrator is appointed by the Secretary of Agriculture to administer the order. The market administrator and the staff which he employs announce prices and collect reports from handlers which show quantities of milk used by each handler and payments made. One of the most important functions of the market administrator is the verification of reports made by handlers. Auditors and dairy technologists perform the verification function. The expenses of the market administrator's office are paid from funds which are obtained by assessing handlers a specified rate per hundredweight of milk handled. This rate varies among markets.

PRICING SYSTEMS ESTABLISHED BY FEDERAL ORDERS

The Marketing Agreement Act requires the Secretary of Agriculture to employ the "classified use" basis when establishing minimum prices paid to producers. Milk used for fluid purposes in a regulated marketing area usually is placed in Class I, the highest price class. In most markets, cream for fluid use also is in this category. Milk utilized in manufactured products is classified in lower price classes. The classification procedure varies among the different orders depending upon local market circumstances.

Class I fluid uses generally include fluid whole milk, modified milk products, such as flavored drinks, buttermilk and concentrated milk, and other fluid products or uses for which Grade "A" milk is required by health departments having jurisdiction in the area.

Milk supply and demand conditions are the basis used in establishing Class I prices under the Federal order program. The "prices of feed, the available supply of feed, and other economic conditions" referred to in the Agricultural Marketing Agreement Act are taken into account as they affect prospective market supply and demand conditions. Formula pricing plans have been developed as a means of establishing and maintaining class prices in accordance with these objectives.

So-called "manufacturing milk formulas" are used to establish Class I prices in most markets, and other class prices in all markets. Formulas of this type relate the class prices to market prices of manufactured dairy products or the value of milk for manufacturing purposes. The average price of manufacturing-grade milk in Wisconsin and Minnesota is used in most orders with this type of formula. To establish Class I prices specified differentials are added to manufacturing milk prices. These differentials must be sufficient to induce enough producers to deliver a supply of approved milk adequate to meet the demand in the marketing area. Computations under this formula are illustrated in table 3 using the order for the Chicago market.

The "economic formula" method of pricing fluid milk in Federal order markets was established in 1948 for the Boston market, to replace a formula using prices for manufactured dairy products or the price of manufacturing milk. The price established by this formula related fluid milk prices to selected general economic indicators. This type of formula now is in operation in the Northeastern markets. In New England markets, these factors relate the milk price to certain costs of production, to changes in per capita disposable income in New England, and to changes in the general level of wholesale prices--the BLS index covering nearly 2,000 commodities. The application of this type of formula to the New York-New Jersey market is illustrated in table 4. In table 5, markets are classified by

type of formula employed, that is, whether a manufacturing milk value or an economic formula is used.

The use of formulas in pricing milk constituted a step forward in adjusting supply of milk to dynamic changes in levels of demand. It made it unnecessary to call a hearing to establish each new level of milk prices.

Developments in the production of milk and marketing conditions often require changes in relationships between milk prices and the formula factors. Many of these changes occur so rapidly that the standard formula, whether the manufacturing type or the economic index type, has been unable to adjust rapidly enough. Since the economic formula was established in New England, many orders have included a so-called supply-demand adjustment in their formulas. This is an adjustment which automatically reduces the Class I price when supplies tend to become excessive relative to current demand and raises the Class I price when supplies tend to decline relative to the prevailing demand.

The total value of milk received from producers is determined by multiplying the quantity of milk in each class by the respective class prices. The total value of all milk is divided by the total pounds of milk received from dairy farmers to obtain the uniform or blend price payable to an individual farmer. The uniform price may be computed separately for each handler or it may be averaged for all handlers in the market, depending on whether the market operates as an individual-handler pool or a market-wide pool. The type of pool employed in the different markets is indicated in table 6. Incidentally, one of the side benefits of a market order to producers is not related to price at all; this is the auditing service which is employed for the purpose of ascertaining the exact utilization of milk by each handler and thereby insuring that producers are paid according to actual use of milk. Among some producers, this feature is as popular as the function of establishing price. The collection of market data necessary for the operation of the marketing orders has made available a large body of information which has aided the dairy industry immeasurably in planning its operation.

Under a market-wide pool there is an equalization device known as the "producer settlement fund." It operates so that each handler is debited at the total value of his milk at class prices according to its use. To determine an average price, the total value of milk bought by all handlers is divided by the total quantity of milk delivered by producers. The handler is then credited in the fund at this average price, which he is required to pay to the producers delivering milk to him. The handler pays into or receives from the fund the difference between the value of his milk in a given class use and payments made to producers at the average price. This equalization pool results in all handlers paying the same minimum prices for milk in each use

classification and all producers receiving at least the same uniform price.

One of the problems in pricing milk results from the fact that seasonal variation in milk production traditionally is greater than seasonal variation in demand for milk. Several different plans designed to obtain a more even production of milk--a production pattern that more nearly matches the pattern of demand--have been used.

The earliest plan employed under Federal orders was the base-excess approach which was used well before the advent of Federal orders. Under this plan the producer establishes a production base for his farm. This base usually is established during the months of seasonally low production. He is paid the base price for deliveries up to his established base. For quantities delivered in excess of base, he receives a much lower price. Seasonal variation in Class I prices also is used to encourage more even seasonal milk production. Under this method Class I prices are established at higher levels in the short production months than in the long production months. A more recent pricing procedure to encourage more even seasonal production is the so-called "Louisville Plan." Under this arrangement payments are withheld from producers according to total deliveries by producers in the flush season and repaid according to total deliveries in the short-supply season. Both the withholding amount and the pay-back amount were uniform among all producers. Table 6 indicates which plan or combination of the three seasonal production incentive plans--base-excess, seasonal variation in Class I prices, or "Louisville plan,"--is provided in each Federal order.

SIGNIFICANT TRENDS IN MILK PRICES IN FEDERAL ORDER MARKETS

In the quarter of a century that Federal milk marketing orders have been in operation there have been 3 distinct periods in terms of economic conditions under which the orders have operated.

I. During the 1930's the objective were to raise milk prices from their depression levels.

II. During the World War II period, shortages and price controls dominated the milk marketing scene.

III. In the postwar period, attention has been focused on the need for price levels which would give a longer term balance between supply and demand in the milk marketing areas.

An important problem in the postwar period, has been that many milk markets of the country have been supplied with excess quantities of milk compared with demand for fluid milk, except for the periods 1947-48 and late 1950 through most of 1952. In the years since 1952

particularly, the Federal milk-marketing mechanism has had a thorough test of its adaptability to dynamic changes resulting from technological developments in the producing, processing, and distribution of milk.

The need for flexibility in Federal milk pricing systems is emphasized by the fact that during the period these marketing devices have been in operation, the price of all milk sold at wholesale by farmers in the United States has fluctuated from less than \$2.00 per 100 pounds in the thirties to over \$5.00 in some months of 1952. In 1961 it averaged \$4.22. The period of lowest prices in the postwar period was in late 1949 and early 1950. Then milk prices rose to a peak in 1952 and dropped again in 1953 and 1954. The index of Class I prices established by Federal milk marketing orders in 1960 was 2 percent higher than the 1953-54 average.

In the past decade the number of producers delivering milk to a particular market has been decreasing and the daily average production per farm has been increasing. To increase efficiency in handling milk, distributors as well as producers have invested in new and costly equipment, generally of greater capacity than the equipment it replaced. This investment has prompted expansion of sales areas to make full use of the new equipment. Wider sales areas are possible today with modern refrigeration, new type packages, and better transportation equipment. The new super highways which connect various cities have facilitated this expansion. Wider sales areas have resulted in expanded Federal order markets and, in some cases, the consolidation of two orders into a single order.

Another dynamic aspect of fluid milk marketing has been the impact of farm bulk tanks. In the 1950's the pre-eminence of farm bulk tank delivery began to emerge. Today numerous fluid markets receive only bulk tank milk, many others are rapidly approaching full conversion, and still others are near the point where receipt of can-delivered milk will no longer be economically practicable. As a result of the rapid conversion to bulk tanks, milk receiving stations are no longer a vital factor in milk marketing. Milk may be moved directly from the farm to a bottling plant; when not needed for fluid purposes, it may be diverted to a manufacturing plant. Just as bulk tanks have facilitated the movement of farm delivered milk to its local urban market, so too they have facilitated its movement to other, more distant markets.

These two factors--growing expansion of distribution areas of individual plants and the increasing mobility of farm delivered milk--have necessitated close alignment of Federal order prices.

RELATIONSHIP OF MINIMUM ORDER PRICES TO SUPPORT PRICES

Establishment of minimum class prices under Federal milk marketing orders does not insure producers a

fixed minimum rate per hundredweight for all milk they deliver. Blend prices received by farmers vary in accordance with the relative quantity of milk used in the different established classes, as well as with any changes in prices of the separate components. Minimum order prices are subject to changes from month to

month, depending upon the market supply and demand conditions for milk in that market. Order prices are also responsive to national supply and demand conditions in that support price levels are reflected in order prices and thus in prices paid to producers.

STATE MILK CONTROL PROGRAMS

The problems encountered by State milk control agencies in establishing producer prices are similar to those faced by officials of the Federal Government in the administration of Federal milk orders. One important difference is that the State has authority to establish producers' milk prices only within the State. On the other hand, for a market to qualify for a Federal order, there must be interstate implications of the pricing action.

CENTRAL FEATURES OF STATE MILK CONTROL PROGRAMS

For most States the following summaries were based jointly on replies to a letter and questionnaire and a copy of the State law in effect. For the other States, the summaries are based entirely on available copies of the laws and regulations. For any important actual uses, it would be desirable to check with the legal official serving the milk control authority in the State concerned. The Economic Research Service would appreciate any corrections of material as presented. This kind of information has been requested from many sources, especially in States where new milk control legislation is being considered. (See tables 1, 7, and 8.)

ALABAMA

Objectives

The objective of the Alabama State Milk Control Board is to regulate and stabilize the Grade "A" fluid milk industry within the State, to insure an adequate supply of healthful milk at a reasonable price to consumers

Standards for Establishing Prices

Producer and resale prices are determined by the Board after public hearings are held at which producers, distributors, consumers, and any other interested party are invited to appear and give testimony.

Regulation of Fair Trade Practices

The Alabama Milk Control Board has issued "Seventeen Rules of Fair Trade Practices". Some of the provisions prohibit false and misleading adver-

tising or the misrepresentation of dairy products; forbid the giving of anything of monetary value, either directly or indirectly, with the purchase or sale of milk or milk products; regulate the donation of free samples; set forth rules regulating a producer quota program; protect the quality of the products offered for sale and the service provided; and provide procedures for transactions made between producers, producer-distributor, and distributors.

Source of Funds for Administration

Funds for the administration of the control program are obtained by assessments on producers, distributors, producer-distributors, sub-distributors, and stores selling milk.

Relationship of State and Federal Regulations

There are no Federal milk marketing areas located within Alabama. A small quantity of milk produced in Alabama, however, is priced under the terms of the Chattanooga Federal Milk Order.

Extent of Regulation

Approximately 82 percent of the milk utilized in Alabama is produced within the State; about 18 percent comes from neighboring States. The State is divided into three separate milksheds, which are designated as the Consolidated Shed, Industrial Shed, and Southern Shed.

New Legislation Since July 1959

The Alabama Milk Control law was amended by Act No. 497 of the 1961 regular session. On February 1, 1962, a revised "Digest of the Alabama Milk Control Board," covering official orders and regulations, price schedules, resolutions, and definitions and rules of fair trade practices, was released.

CALIFORNIA

Objectives

The objectives of the program are the production and maintenance of an adequate supply of health-

ful milk of proper chemical and physical content, free from contamination; to eliminate destructive trade practices; and to foster intelligent production and orderly marketing of milk.

Standards for Establishing Prices

Minimum prices to producers must be in a reasonable and sound economic relationship with the price of manufacturing milk, taking into consideration the additional costs of producing and marketing fluid milk over and above costs of producing and marketing manufacturing milk, and also the current and prospective supply and demand for fluid milk. The Act further provides that the Director must find that such prices will insure consumers an adequate and continuous supply of pure, fresh, wholesome milk at fair and reasonable prices. In determining minimum wholesale and retail prices for fluid milk, the following economic factors are taken into consideration: the quantity of fluid milk distributed; consumption of fluid milk; purchasing power of consumers; cost of fluid milk to distributors; necessary cost of handling fluid milk, including reasonable return on capital investment; amount of available capacity for processing and distributing of fluid milk; necessary cost of handling fluid milk incurred by retail stores; and amount of quantity discounts (wholesale and retail) as now established in effective price schedules.

Regulation of Fair Trade Practices

Unfair trade practice provisions in the California Agricultural Code in general relate to sales below cost, free gifts to obtain the dairy products business of a customer or consumer, the supplying of refrigeration facilities to wholesale customers, the furnishing of advertising allowances or materials to wholesale customers, price discrimination, secret rebates or unearned discounts, and contract requirements between producers and distributors of fluid milk.

Source of Funds for Administration

Funds for the administration of the milk marketing program are obtained by assessments levied at both the producer and distributor levels. Presently the assessment on the producer is at the rate of two mills (0.002) per pound of milkfat. An equal amount is levied on the distributor.

Relationship of State and Federal Regulations

There are no Federal milk marketing areas located in California; however, the Central Arizona market under Federal Order No. 131 draws some of its supply from California.

Extent of Regulation

The State is divided into 27 marketing areas, and several of these areas are divided into resale price zones. Minimum wholesale and minimum retail prices are uniform in all of the 34 price zones. In summary, there are 27 sets of minimum producer prices and 34 sets of resale prices. It is estimated that 94 percent of fluid milk sold in California is under price regulation.

New Legislation Since July 1959

The main legislative change since July 1959 was a bill which provides for establishing minimum producer prices on a basis of the milkfat and solids-not-fat content of whole milk and for the establishment of a new dairy product called "low fat milk," which contains 2 percent milkfat and 10 percent solids-not-fat. This new law became effective September 15, 1961.

FLORIDA

Objectives

The legislature created the Florida Milk Commission for the general purpose of protecting the public health, safety, and welfare.

Standards for Establishing Prices

Producer prices are based on cost of production plus a reasonable return on investment to the producer.

Regulation of Fair Trade Practices

Fair trade practice regulation prohibits below cost selling, except to meet competition. The regulation is designed to prevent milk being used as a "loss leader."

Source of Funds for Administration

Funds for administration are derived from fees paid by distributors and producers on milk distributed at the rate of \$0.0015 per gallon.

Relationship of State and Federal Regulations

The Commission presently regulates five milk marketing areas comprising 56 counties. Approximately 60 percent of the fluid milk sales in the State is under the jurisdiction of the Commission. The Southeastern Florida Federal Order regulates the handling of milk in counties of Dade, Broward, Monroe, and Palm Beach. The State does not regulate the price paid to producers for that

milk which is priced under the Southeastern Florida Federal order.

New Legislation Since July 1959

Chapter 501, Florida Statutes, was amended by the 1961 Legislature.

GEORGIA

Objectives

The objectives of this program are to: (1) create conditions so consumers of the State can have an abundant supply of high quality milk; and (2) bring about stabilization for all segments of the dairy industry.

Standards for Establishing Prices

The Georgia "Producer Price Index" is the weighted average of U. S. wholesale prices, for nonfarm commodities, index of Georgia per capita income, and a feed-labor index. The "Distributing Cost Index," which yields the price per quart at retail, is the weighted average of U. S. wholesale prices, index of Georgia per capita income, feed-labor index, labor cost index for food, container cost index, chemical supply cost index, equipment cost index, and motor vehicles cost index.

Regulation of Fair Trade Practices

All licensees are required to respect minimum and maximum prices at the wholesale and retail level. Only those distributors holding licenses within a milk shed are permitted to sell milk.

Relationship of State and Federal Regulations

There are no Federal milk order marketing areas within Georgia; however, the Chattanooga Federal order market draws some milk from the State.

Extent of Regulation

There are 70 milk sheds within the State. More than 95 percent of the total pounds of milk consumed in the State is regulated under State orders.

Source of Funds for Administration

The program is financed by an assessment of 2 cents per hundredweight on each producer and from each processor.

New Legislation Since July 1959

During the 1961 session of the Georgia Legislature,

the Milk Control Act was amended to the effect that, before a producer or a distributor could sever relations with the other, each would have to give the other 12 month's notice unless they could mutually agree upon a lesser period of time. During this same session, authority for producer bases was placed in the hands of the Milk Commission.

LOUISIANA

Objectives

The intent of the State's legislation is to prevent the economic destruction of dairy farmers, dairy plants, ice cream dealers, or other distributors as a result of discriminatory trade practices which may result in a situation detrimental to the health, welfare, and economy of the people of the State.

Standards for Establishing Prices

In determining minimum producer prices, the Commissioner of Agriculture shall consider the following factors in each marketing area: The quantity of fluid milk produced and disposed of, the cost of dairy feed and farm labor, and other economic conditions affecting the production and sale of milk in the market area.

Regulation of Fair Trade Practices

In the recent session of the Louisiana State Legislature, the present Orderly Milk Marketing Law was amended to establish a Milk Commission. It has authority to administer all fair trade sections of the Act. The Commission would have the power to set minimum and maximum retail prices on milk and milk products and minimum wholesale prices on ice cream and frozen desserts. The Commissioner of Agriculture would continue to administer the minimum prices to be paid to producers.

Source of Funds for Administration

One cent per hundredweight is assessed on producers' milk and 1 cent per hundredweight on all distributors' milk sales.

Relationship of State and Federal Regulations

There are two Federal order markets in Louisiana--New Orleans and Northern Louisiana. Located nearby are the Federal order markets of Central Mississippi and Mississippi Gulf Coast. Minimum producer prices are presently effective in the following State market areas: Central, Southeast, Southwest, New Orleans, and Northern.

MAINE

Objectives

To insure consumers of an adequate supply of pure and wholesome milk at reasonable prices which will provide a fair return to the producers and an adequate profit to distributors.

Standards for Establishing Prices

The law provides for prices to be just and reasonable, taking into consideration the public health and welfare and the insuring of an adequate supply of pure and wholesome milk under varying conditions in various marketing areas. Seasonal production and other conditions affecting the cost of production, transportation, marketing, and a reasonable return to the producer and dealer are considered.

Regulation of Fair Trade Practices

An integral part of the Commission regulatory program is the control of the purchasing, distribution, and sale of milk, so that no method or device is lawful that makes it possible for milk to be bought or sold at less than the scheduled minimum prices, whether this be by rebate, discount, gratuity, advertising allowance, free service, combination price for milk with other commodities, or for any other consideration.

Relationship of State and Federal Regulations

No Federal milk marketing areas are located in Maine; however, Northeastern Federal orders draw milk supplies from the State.

The Commission regulates minimum prices at all levels of distribution in 47 marketing areas. These include more than 85 percent of the State's total population and over 51 percent of the cities and towns, over 90 percent of the fluid milk sold for consumption is priced under the regulations of the Commission.

Source of Funds for Administration

Each distributor pays an annual license fee of \$1.00 and monthly payments of 1 cent per hundredweight on the quantity of milk he purchased, produced, or sold. One-half cent per hundredweight may be deducted by dealers from amounts paid by them to producers of such milk.

New Legislation Since July 1959

The Maine Milk Commission Law was amended by the 1961 Legislature to provide pricing of bulk tank producer milk; additional rules and regulations whereby a license may be suspended or re-

voked; and Commission access to the use of injunction enforcement procedures.

MASSACHUSETTS

Objectives

The Massachusetts Milk Control Law is designed to apportion equitably the value of the milk received by a dealer or dealers among the producers delivering milk and to encourage production of a regular, continuous, and adequate supply of fresh fluid milk and to promote plans to increase consumption of milk.

Standards for Establishing Prices

The Milk Control Commission is guided in determining the reasonableness of prices by costs of production, hauling, handling, processing, storage, distribution, and other costs involved in the production and marketing of milk; by the balance between supply and demand; by the purchasing power of consumers; and by other economic conditions affecting the milk supply and the demand for milk.

Regulation of Fair Trade Practices

The rules of the Massachusetts Milk Law prohibit certain practices, such as dealers' sale or distribution of any milk acquired below cost; sales below the minimum price; the use of any method or device whereby milk is purchased, sold, or distributed at a price less than the applicable price by discount, rebate, free service, or advertising allowance. Cooperative associations are not allowed to sell milk at less than the minimum price. The practice causing the major enforcement activity is use of milk as a loss-leader, mainly practiced by independent markets and small chains.

Source of Funds for Administration

The cost of administration of milk control in Massachusetts is covered entirely by appropriated funds. However, license fees and assessments are paid by dealers. The assessment rates are \$0.011 per hundredweight of Class 1 (fluid milk) sales in Federal order markets and \$0.02 per hundredweight in State order markets. During the fiscal year the assessment rate is varied to bring in an amount which will equal the annual appropriation plus enough to cover amounts paid to other State agencies for their services. In this manner, milk control is neither an income-producing agency nor an expense to the General Fund.

Relationship of State and Federal Regulations

Massachusetts is divided into 22 milk marketing

areas, 4 of which are regulated by Federal milk marketing orders and the balance by the State. Producer prices are established by State order for about 10 percent of fluid milk sales. The rules, regulations, and orders of the Commission apply to all milk dealers in all areas of the State except that any rule, regulation, or order which is inconsistent or in conflict with any term, condition, or regulation in a Federal milk marketing order regulating the handling of milk in a Federal milk marketing area, shall not apply to such marketing area.

Extent of Regulation

State regulation in the milk industry covers practically all phases of the industry--requires licenses of all milk dealers; enforces milk dealers bonding requirements of the Commissioner of Agriculture; enforces rules and regulations covering methods and frequency of milkfat tests; supervises and enforces regulations covering bulk tank pickups; announces Class I and Class II prices in State markets; audits producer payments; approves transportation deductions; and investigates complaints and strives to maintain all markets in a healthy, competitive business atmosphere.

New Legislation Since July 1959

The 1961 Legislature enacted a new law requiring bulk tank drivers to be licensed and to qualify for sampling and measuring milk in producers' tanks.

MISSISSIPPI

Objectives

To promote, foster, and encourage the intelligent production and orderly marketing of fluid milk and cream; to make distribution between producer and consumer as efficient and economical as possible; to prevent unfair, unjust, destructive, and demoralizing trade practices in the dairy products market; and to insure an adequate supply of pure and wholesome milk for the inhabitants of the State of Mississippi.

Standards for Establishing Prices

The Commission takes into consideration the balance between production and consumption of milk; the cost of production and distribution in the marketing of milk, both wholesale and retail; and the purchasing power of the consuming public in the various localities and markets throughout the State.

Regulation of Fair Trade Practices

The Commission is empowered to promulgate and enforce reasonable rules covering unfair trade practices, some of which are discounts, false advertising, gifts, supplying of equipment (including service), price discrimination, and such others as are related to the transaction of business between producers and licensees in marketing areas within the State.

Sources of Funds for Administration

Where Federal market orders are in effect no funds are collected for the administration of the producer price program. The administration of wholesale and retail price orders is financed by assessments levied upon distributors not to exceed 2 cents per hundredweight of all milk sales. The administration of producer price orders is financed by assessments levied upon the milk handler not to exceed 5 cents per hundredweight of all milk received from producers.

Relationship of State and Federal Regulations

Three Federal order markets are located in Mississippi--Central Mississippi, Mississippi Delta, and Mississippi Gulf Coast. These Federal order markets regulate only minimum producer prices. The Mississippi Milk Commission administers minimum producer, wholesale, and retail prices in the same marketing areas. There are also 3 State markets designated as Northeast, Northwest, and Southwest. The Commission does the testing and weighing of milk in the 3 State markets.

Extent of Regulation

The Mississippi Milk Commission has the responsibility to administer the "State of Mississippi Milk Commission Act." Effective May 11, 1960, the Department of Agriculture and Commerce received the responsibility to administer a law titled "State of Mississippi Milk Products Sales Act." This Act applies only to frozen dairy products, ice cream mix, and cottage cheese, and also sets forth the fair trade practice provisions to be used in the regulation of such products.

MONTANA

Objectives

To eliminate unfair and demoralizing trade practices and to assure an adequate and safe supply of pure and wholesome milk for people of the State.

Standard for Establishing Prices

Minimum producer or resale prices shall not be fixed higher than is necessary to cover the costs of ordinarily efficient and economical milk dealers, including a reasonable return upon necessary investment.

Regulation of Fair Trade Practices

Considerable attention is devoted to trade practices. Rules relating to trade practices cover loans, special service, equipment, contests and premiums, and prices paid producers.

Relationship of State and Federal Regulations

The State is divided into 12 market areas, with 2 market areas containing zones which have a difference in prices. The 12 market areas encompass the entire State, with the result that 100 percent of the fluid milk sold within the State is priced under the regulation of the Milk Control Board. Some milk from the State is shipped, however, into the Inland Empire Federal order market area.

Source of Funds for Administration

Funds for administration are derived from administrative assessments levied upon producers and distributors in the amount of 2.5 cents per hundredweight of fluid milk sold, and levied against producer-distributors in the amount of 5 cents per hundredweight. These funds are deposited with the State Treasurer and appropriated to the agency by the legislature.

New Legislation Since July 1959

There have been no legislative changes since 1959; however, the Milk Control Board plans to inaugurate pricing based on a formula within the next few months. Due to an adverse court decision the Rules of Fair Trade were revised and re-issued on June 1, 1962.

NEVADA

Objectives

To promote, foster, and encourage intelligent production and orderly marketing of necessary commodities, including milk, and to eliminate speculation, waste, improper marketing, unfair and destructive trade practices and improper accounting for milk purchases from producers, and to enable the dairy industry with the aid of the State to correct existing evils, develop and maintain satis-

factory marketing conditions, and bring about a reasonable amount of stability and prosperity in the production and marketing of fluid milk and fluid cream.

Standards for Establishing Prices

Prices are established on the basis of cost studies conducted by the Dairy Commission. The Commission has the authority to regulate minimum prices at all levels. Factors considered include cost of production, return on capital investment, transportation, cost of compliance with health regulations, and current and prospective supply of and demand for fluid milk and fluid cream.

Source of Funds for Administration

Distributors and producers are subject to assessment of 1/2 cent per pound milkfat on all milkfat contained in fluid milk, fluid cream, or both. In the case of distributors who do not purchase or receive fluid milk in milkfat pounds, the assessment is at the rate of 1 1/2 cents for each ten gallons of fluid milk sold. The Commission also assesses distributors 1/2 cent a pound on all butter distributed; 2 cents per gallon on all ice cream, sherbet, or ice cream mixes, and 1/4 cent per pound on all cottage cheese distributed.

Relationship of State and Federal Regulations

There are no Federal milk marketing areas located in Nevada; however, the Great Basin Federal Order Market, No. 136, draws milk from the Northeastern part of the State.

Extent of Regulation

All fluid milk sold in Nevada is under the minimum retail and wholesale pricing provisions of the Dairy Commission. The Commission now regulates 3 marketing areas which are designated as Southern, Western, and Eastern. Each marketing area is further divided into 4 zones.

NEW HAMPSHIRE

Objectives

The objective of milk control in New Hampshire is to insure the public an adequate supply of proper quality milk and to bring stability to the milk industry pricewise.

Standards for Establishing Prices

In determining the basis on which minimum producer prices are set, the Board follows the price

established by the Federal order for Boston as the Class I producer price for milk in Zone I (the lower half of New Hampshire); Zone II is 22 cents per hundredweight and Zone III (upper part of New Hampshire) 44 cents per hundredweight less than Zone I. These differentials are about the actual trucking cost differential. Minimum retail prices to consumers on their doorsteps are established by adding to the Class I producer price per quart, a 12 cent markup.

Store retail prices may be 1 cent per quart lower than home delivery prices and specific discounts are allowed for specific quantities of milk delivered to the home.

Regulation of Fair Trade Practices

Fair trade practices as such are not established by the New Hampshire milk control law. However, commissions, discounts, rebates, price concessions, or other payments which reduce the fixed minimum prices for milk and cream are not allowed.

Sources of Funds for Administration

Funds for the administration of the program in New Hampshire come from license fees paid by distributors and retail store dealers.

Relationship of State and Federal Regulations

At present, no Federal milk marketing areas extend into the State but the supply area of several Federal orders include parts of New Hampshire. Minimum producer prices established are closely related to those established by the Boston Federal order.

Extent of Regulation

The State of New Hampshire is divided into three zones. Zone I, which includes by far the more thickly populated sections in the State, is the largest zone. Zone II includes the city of Berlin and a few surrounding towns and the towns of Woodstock, Lincoln, and Thornton. Zone III includes the remainder of the northern part of the State. About 95 percent of all milk sold to consumers in the State is priced under Milk Control Board regulations. There are a few small towns that never have been included in any area. Their law stipulates that maximum prices may be established at the producer and retail levels.

New Legislation Since July 1959

A bill was introduced in the 1961 Legislature to abolish milk control, but the bill died in committee.

NEW JERSEY

Objectives

To prevent unfair, unjust, destructive, and demoralizing practices which tend to undermine health regulations and standards or to demoralize the agricultural interests engaged in the production of milk in New Jersey, and to curtail the supply of fresh wholesome milk to the citizens of New Jersey. The Office of Milk Industry is charged with creating and maintaining an economic climate in which New Jersey dairymen can realize a return large enough to insure an adequate supply of fresh milk to consumers.

Standards for Establishing Prices

The law provides that the Director of the Office of Milk Industry establishes minimum prices at all levels and may take into consideration those factors relevant to the costs of producing, processing, and distributing milk in New Jersey and a reasonable profit to the producer, dealer, processor, subdealer, and store operator.

Regulation of Fair Trade Practices

Fair trade provisions are an important part of the program and relate to number of deliveries, prohibitions of trading in milk products purchased at prices below those established by the Office of Milk Industry, acquiring the business of another dealer, processor-producer dealer, or subdealer, the sale of milk to governmental institutions, minimum deposits, credit status between firms, lending or receiving items of value in the sale or solicitation for sale of milk and milk products, and changes in source of supply.

Source of Funds for Administration

Funds for the administration of the milk control program are derived from the collection of license fees from milk handlers, milk processors, milk manufacturers, subdealers, and store operators.

Relationship of State and Federal Regulations

One feature of the milk control program in New Jersey is the connection between the State and the Federal Government in regulating producer prices in Milk Marketing Area I. When the New York Federal Order (Order No. 27) was extended, the Director of the Office of Milk Industry and the Secretary of the United States Department of Agriculture signed a memorandum of agreement. This agreement provides for joint administration by both agencies of the regulations pertaining to prices paid producers for milk received from New

Jersey farmers at Federal Order No. 27 pool plants. On January 1, 1960, the Director reestablished minimum resale prices in Area One, the northern 13 counties of the State. Minimum producer, wholesale, and retail prices are regulated in two areas of Southern New Jersey. Some milk produced in New Jersey is delivered to plants regulated under the Philadelphia Federal Order No. 4.

Extent of Regulation

Almost all of the milk produced in New Jersey is priced at the producer level either under the joint Federal-State order or under separate regulation of the Office of Milk Industry. A small proportion of milk produced in New Jersey is priced under the Philadelphia Federal Order and not by the State of New Jersey.

NEW YORK

Objectives

To promote, foster, and encourage the intelligent and orderly marketing of milk in the public interest, to protect the dairy industry, and to insure an adequate supply of pure and wholesome milk.

Standards for Establishing Prices

Before fixing minimum prices at the producer level the Commissioner investigates what are reasonable costs and charges for producing, hauling, handling, processing, and/or other services performed in respect to milk and what prices for milk in the market or markets affected by such prices and under varying conditions will be most in the public interest. He shall also consider the balance between production and consumption of milk, the cost of production and distribution, including compliance with all sanitary regulations, the cost of feed-stuffs used in the production of milk, the supply of milk in such market, and the purchasing power and welfare of the public.

Regulation of Fair Trade Practices

The New York Milk Control Law prohibits buying or selling of milk at less than the applicable price through discounts, rebates, free services, advertising allowances, or combined prices or any other methods or devices. The law also gives the Commissioner the right to order cease-and-desist orders (subject to review) if he believes an agreement between a producers' bargaining association and dealers has unduly enhanced the price of milk.

Source of Funds for Administration

The administration of the New York-New Jersey order is financed by an assessment against handlers (usually \$0.01 per hundredweight). In the Niagara Frontier Area there is an assessment of \$0.01 per hundredweight deductible from producers' checks and in the Rochester area the assessment is also \$0.03 per hundredweight of milk.

Milk control activities other than the three marketing orders are financed by a legislation appropriation as part of the budget from the Department of Agriculture and Markets. However, this appropriation is largely matched by revenue from the issuance of dealer licenses.

Relationship of State and Federal Regulations

The New York-Metropolitan Milk Marketing Area was established and such prices were fixed under Federal-State marketing orders beginning September 1, 1938. These orders continued substantially unchanged until August 1, 1957. At that time, after a series of hearings, the orders were expanded to include nearly all of 35 additional counties in the State of New York and all of Northern New Jersey. New Jersey authorities then joined in the regulation, and the name of the area was changed to the New York-New Jersey Milk Marketing Area.

Extent of Regulation

In 1961 approximately 88 percent of milk produced in New York State was marketed under 3 orders: the New York-New Jersey Order (joint Federal-State regulation), the Niagara Frontier (State) Order, and the Rochester (State) Order. The percentage of New York production marketed under the Niagara Frontier and Rochester Orders was 11.7 percent in 1961 and the percent marketed under the New York-New Jersey Order is 76.3 percent.

NORTH CAROLINA

Objectives

To stabilize and encourage orderly marketing conditions in order to assure producers a fair market for milk and to assure consumers a wholesome, adequate supply of fluid milk.

Standards for Establishing Prices

In determining the reasonableness of prices to be paid or charged in any market or markets for any grade, quantity, or class of milk, the Commission shall be guided by the cost of production and distribution (including cost of compliance with

all sanitary regulations in force in such market or markets,) necessary operating, processing, storage and delivery charges, the prices of other foods and other commodities, and the welfare of the general public.

Regulation of Fair Trade Practices

Activities in the field of regulation of trade practices include: (a) Filing of distributor sale prices with the Commission and giving notice of any change in the prices on file; (b) prohibiting discounts, rebates, furnishing of equipment, etc., to milk customers; and (c) bonding audits and investigations to determine the prices charged and compliance with all fair trade practice regulations.

Source of Funds for Administration

Funds are provided from monthly assessments levied on producers and distributors. The maximum which may be assessed is 2 cents per hundredweight.

Relationship of State and Federal Regulations

There are no Federal milk marketing areas in North Carolina, but some milk moves to the Appalachian Federal milk marketing area from North Carolina.

Extent of Regulation

All of the Grade "A" fluid milk produced in North Carolina that is purchased or handled by plants in the State is under the Commission's minimum pricing regulations.

North Carolina is covered by the 10 established milk marketing areas, and, since 1955, uniform producer prices and other regulations have been maintained for all areas in the State.

OREGON

Objectives

Oregon has a temporary emergency pricing law which will be automatically repealed as of December 31, 1962. In the closing days of the last session of the legislature, the present law was passed to stabilize the market and give producers an opportunity to develop a program of their own.

Standards for Establishing Prices

Class I prices are set after public hearings and with consideration given to: (a) cost of production; (b) purchasing power of consumers, (c) price of

manufacturing milk; (d) available supply and actual consumption of milk; and (e) price of Class I and Class II milk in adjacent States.

Regulation of Fair Trade Practices

There are no fair trade practice laws in Oregon.

Extent of Regulation

A total of 10 market areas were established as of June 1, 1961. Effective April 1, 1962, 6 areas were combined into 1 large market area with a uniform price throughout the area. This area embraces an estimate of 80-85 percent of the total Grade "A" milk production in Oregon. Market Area No. 3 has a free market following a referendum of producers to eliminate a minimum Class I price. The remaining areas, 8, 9, and 10, are tied closely to conditions in adjoining States.

Relationship of State and Federal Regulations

There are no Federal orders located within the State of Oregon.

Source of Funds for Administration

The present administration is financed by fees paid by dealers--not to exceed 2 cents per hundredweight. Actually the fee has been cancelled; funds on hand are enough to carry through until the Act expires on December 31, 1962.

New Legislation since July 1959

The Milk Audit and Stabilization Division also administers the State Milk Usage Audit Law.

PENNSYLVANIA

Objectives

The main objective of milk control in the Commonwealth of Pennsylvania is to insure a pure, wholesome, and adequate supply of milk for all of its inhabitants. This is to be accomplished by regulation primarily, with reference to price fixing and other related regulations in connection therewith.

Standards for Establishing Prices

Standards or basis on which minimum producer prices are determined by the Milk Control Commission are the cost of production and the items which influence such costs. Minimum resale prices are fixed on the basis of the cost of distribution, including processing, handling, and storing milk

and milk products and the cost of other materials and supplies which make up distribution costs. Although maximum resale prices may be fixed, they have not been ordered.

Regulation of Fair Trade Practices

Fair trade provisions are an important item in the regulatory program. Enforcement of regulations which refer to restricted deliveries, bottle deposit, and sale of milk where the minimum prices are influenced or reduced by premium, discount, or free service is the principal activity.

Source of Funds for Administration

Some administrative funds are from license fees from dealers and subdealers plus a small percentage from fines for violations. The balance of the funds to administer the program is from the State General Fund.

Relationship of State and Federal Regulations

A Federal order established minimum prices to be paid to producers shipping milk to handlers delivering milk in the Philadelphia marketing area. The Commonwealth of Pennsylvania also establishes producer prices for this area. The State producer pricing regulation and the Federal orders sometimes differ in the level of minimum price prescribed. Approximately one-third of the milk in Pennsylvania is priced at the producer level under Federal regulation.

Extent of Regulation

The Pennsylvania Milk Control Commission fixes minimum producer prices in 13 separate and distinct markets. Approximately 98 percent of the milk sold at wholesale and retail in Pennsylvania is under State regulation, the rest being sales at the farm in the customer's container.

RHODE ISLAND

The State of Rhode Island first enacted milk control emergency legislation, May 5, 1934. When the Southeastern New England Federal Order Market, No. 14, was effected on November 16, 1958, the Rhode Island Milk Control Board shortly afterward ceased regulating producer prices.

The Rhode Island Milk Control Board law was repealed, by an Act of the Rhode Island General Legislature, effective July 1, 1962.

SOUTH CAROLINA

Objectives

The main objective of the present milk control program is to insure a supply of milk meeting the sanitary standards for Grade "A" milk sufficient to supply adequately the growing population.

Standards for Establishing Prices

The Dairy Commission does not establish prices at any level, but has a program in which distributors (handlers) file with the Commission their prices for milk and other dairy products sold at retail or wholesale and the prices payable to producers for each use-class of milk. These prices, as filed, are binding upon the distributor unless due notice of intent to alter such prices is given not only to the Commission but also to each competitor.

Regulation of Fair Trade Practices

Changes in the current statutes, which were effective in June 1961, reduced the scope of the authority of the Commission in the area of trade practices to a point at which the Commission can only take action in the event that producers are in danger of economic destruction as the result of such practices.

Source of Funds for Administration

The Dairy Commission operates on funds provided by the State Legislature. The statutes provide, however, that in the event additional money is required for its operations, an assessment may be levied against producers and distributors at the rate of 1 cent per hundredweight on producer and other source milk, cent per hundredweight on sales of fluid milk products, and 2 cents per hundredweight on sales of frozen desserts or other frozen dairy foods.

Extent of Regulation

The State is divided into 46 markets (counties) and each distributor is required to obtain a license for each market in which he sells milk or milk products.

Relationship of State and Federal Regulations

There are no Federal milk marketing areas in South Carolina and no milk produced in South Carolina is priced under terms of a Federal order.

New Legislation since July 1959

Two important changes are embodied in the milk

control act: (1) The express requirement that the Commission establish, supervise, and regulate a state-wide uniform classification plan, and (2) a state-wide production incentive plan. South Carolina is currently in the second phase of the plan to shift milk bases from a purely production standard to one in which bases will be directly tied to the Class 1 and 11, or fluid uses of milk plus a 5 percent growth and surplus allowance. At the present time producer bases were determined during the base forming period from September 1, 1961, through January 31, 1962, inclusive, by using the simple average of production during this period plus that of the 2 preceding base forming periods. During the base forming period from September 1, 1962, through January 31, 1963, bases will be computed from the amount each producer's milk allocated to Class 1 and 11 plus 5 percent.

VERMONT

Objectives

The objectives of the program as established by statute are to regulate the milk marketing industry in the public interest and to insure an adequate supply of pure milk. In practical application of the Milk Control Board statutes, the Vermont Board, over a period of years, has operated on the general principle of establishing low minimum producer prices and low minimum consumer prices and allowing the market to establish the actual price based on supply and demand and competition. This has resulted in a majority of the milk sold in the State of Vermont being priced to consumers above Milk Control Board minimums. The Board has had in mind the desirability of preventing price wars, with resulting monopoly, and maintaining several competing dealers in each city or town.

Standards for Establishing Prices

Prices paid producers in all of the State except the township of Brattleboro are based on a mark-up over the Boston Federal milk order blend price. In about two-thirds of the State this is 25 cents over the Boston blend price in the 21st zone. In the so-called Windsor area it is 47 cents above the Boston blend 21st zone price. In the Brattleboro area it is based on a deduction from the Springfield, Massachusetts, Federal order Class 1 price city basis. These markups are on the theory that dealers should pay enough to farmers to enable the dealers to select the best producers for the Vermont retail market. The 1 quart home-delivered price, subject to 1 cent per quart price brackets, is established automatically by adding 10.7 cents per quart to the producer price.

Regulation of Fair Trade Practices

The industry has been more or less informally informed that it should be self-policing. In other words, the Milk Control Board does not go to any great length in initiating investigations or practices on its own. Aggrieved dealers, farmers, or consumers are requested to make complaints to the Board. These are immediately investigated and indicated corrections and enforcements made.

Source of Funds for Administration

The funds for the administration of this program are from Milk Control Board license fees, which are very small, and a milk commodity tax of 1 cent per hundredweight paid by producers on milk sold to Vermont retail dealers, plus the 1 cent per hundredweight paid by dealers on their Class 1 or fluid sales. The dealers are responsible for the collection and payment of these taxes.

Extent of Regulation

There are 4 market areas in the State--General, Bennington, Brattleboro, and Windsor. Less than one-third the area of the State but about two-thirds of retail sales are under price regulation.

Relationship of State and Federal Regulations

There are no Federal milk marketing areas located in Vermont, although several markets under Federal orders draw supplies from Vermont.

New Legislation Since July 1959

There has been no legislation in this field since 1959.

VIRGINIA

Objectives

The Virginia Milk and Cream Act was enacted to meet the "unfair, unjust, destructive, and demoralizing economic trade practices which had grown up in the Commonwealth and which impaired the dairy industry and the constant supply of pure and wholesome milk to the citizens."

Standards for Establishing Prices

In determining the reasonableness of any price, the Virginia Milk Commission considers the cost of production and distribution, including compliance with sanitary regulations, necessary operations, processing, storage and delivery charges, and the welfare of the public generally.

Regulations of Fair Trade Prices

The Virginia Milk Commission has authority to supervise, regulate, and control all phases of the milk industry in the State and adopt and enforce all rules it deems necessary to carry out the provisions of the law. "Rules and Regulations for the Control, Regulation and Supervision of the Milk Industry in Virginia," containing the latest amendments was released July 1, 1962.

Source of Funds for Administration

The State Milk Commission assesses the local milk boards in amounts not to exceed 2 cents per hundredweight on all milk and cream sold by producers and 2 cents per hundredweight of milk and cream handled by distributors. To defray its expenses the local milk boards make assessments not over 1 cent per hundredweight on milk and cream sold by producers and not over 1 cent per hundredweight handled by distributors.

Extent of Regulation

There are 27 markets in Virginia currently under the regulation of the Virginia State Milk Commission. It is estimated that 80 percent of the fluid milk sold is under the program of the Commission.

Relationship of State and Federal Regulations

Four Federal milk orders include parts of Virginia in their marketing areas. The State does not set producer prices for milk priced under the terms of a Federal milk order.

WYOMING

Objectives

The objectives are to aid producers in preventing economic waste in the marketing of milk and milk products, to develop more efficient and equitable methods of marketing and distribution of dairy products; and to aid milk producers in restoring and maintaining their purchasing power at a more adequate, equitable, and reasonable level.

Standards for Establishing Prices

The Board takes into consideration the following economic factors when regulating prices: (a) Quantity available for distribution; (b) quantity normally required for distribution; (c) cost of producing milk and milk products as determined by available statistics and surveys; (d) purchasing power of consumers; (e) level of agricultural prices and of services and commodities farmers buy; and (f) level

of prices of substitute commodities which compete with milk and milk products.

Regulation of Fair Trade Practices

The following shall be considered as inequitable marketing methods: (a) Making a loan or gift, refund, or discount for the purpose of inducing a person to become or remain a customer; (b) offering to rent or make repairs on any equipment owned by a customer at less than charges comparable to commercial fees or to sell any new equipment at less than printed price list; (c) practicing price discrimination by selling or offering dairy products at a lower price in some sections, communities, or cities than in other sections; (d) selling or offering for sale dairy products within a milkshed at prices below the established Class I, Class II, or Class III prices. The practice of such methods by any person who is engaged in the business as a processor, handler, distributor, or producer-distributor shall be considered to be in violation of this order.

Source of Funds for Administration

A monthly assessment of 2 mills per gross dollar is charged to producers, processors, and distributors.

Relationship of State and Federal Regulation

No Federal milk marketing areas are located in Wyoming; however, some milk leaves the State to such markets.

SALES PROGRAMS FOR REGULATING SALES BELOW COST

The dynamic expansion of fluid milk markets and the development of new technology in some areas have brought price reductions at the wholesale and retail levels. In some markets, price wars have developed. These have resulted in unstable wholesale and retail prices over long periods, which may affect producer prices. In an effort to stabilize market conditions, a number of States have proposed or enacted laws which regulate the sale of milk below cost. These laws, in essence, establish criteria for determining which sales are below costs, regulate nonprice methods of competition, and establish penalties for violations. As of July 1962, 8 States had laws specifically regulating the sale of milk below cost. Table 9 summarizes the basic provisions of their laws.

RECENT ACTIVITIES IN STATES WITH CONTROL LAWS

Recent developments with respect to legislation, rule

making, and court actions in some of the States that have milk control boards or commissions are as follows:

ALABAMA

Proposed legislation to shift additional administration cost from producers to distributors was defeated.

CALIFORNIA

Legislation was enacted to provide for establishing minimum producer prices on a basis of nonfat solids content as well as milkfat content and for sale of "low fat milk" containing 2 percent milkfat and 10 percent nonfat solids.

The State continued its efforts to obtain authority to compel handlers to pay prescribed minimum producer prices on milk sold to military installations.

FLORIDA

Legislation was enacted to permit producers the use of a secret ballot in voting on orders for specified marketing areas and to provide for assessments on producers and distributors to obtain additional funds for operation of the Commission.

The Commission dropped its effort to get an out-of-court settlement in a law suit which challenged a 1958 Commission order relating price to milkfat content. The suit involves \$660,000 and is now before the U. S. Supreme Court.

GEORGIA

Milk producers, by a majority vote, approved a 1-cent check-off of all the milk marketed to be used to promote increased consumption of milk. The Milk Control Board issued a manual containing rules and regulations pertaining to milk control.

LOUISIANA

Enforcement of the "sales below cost" regulations continues to meet opposition from distributors and chain stores in the New Orleans market area.

MAINE

Class I prices will be determined by adding a differential to the Boston Federal order Class I price, 21st zone.

MASSACHUSETTS

The House approved a bill giving the Commission power to fix the price of milk at the store level; the Senate, however, defeated the bill.

MISSISSIPPI

The 1960 State Milk Control Law was held constitutional by the State Supreme Court on April 26, 1961. The Court ruled that price controls were authorized under the States's police powers.

MONTANA

The Montana Dairyman's Association asked the Board to establish and regulate producer bases.

NEVADA

The authority of the Commission to fix producer, wholesale, and retail prices was upheld by the Courts.

NEW HAMPSHIRE

The Governor again requested legislative action to terminate the Milk Control Board and again the request was denied.

NEW JERSEY

The Office of Milk Industry released an order establishing minimum prices at all levels of distribution in Marketing Area 1, which is that part of the New York-New Jersey Federal marketing area within the State of New Jersey. Certain dealers obtained a restraining order. Subsequently, the New Jersey Supreme Court instructed the Director to obtain additional evidence with more cost data. A hearing was held to review the matter and the Director issued a ruling to maintain the retail prices as originally established.

NEW YORK

Legislation was enacted which would provide for the dating of milk in New York City. Legislation was also passed to permit the State to enter into an interstate compact with Pennsylvania and New Jersey to provide a means of establishing a system of milk prices in the event milk pricing under the terms of the Federal orders became inoperative.

NORTH CAROLINA

Two attempts in dairy legislation failed--

- (a) To stop identical bidding on State contracts.
- (b) to exempt milk from the 3 percent sales tax.

PENNSYLVANIA

A new set of definitions for various types of milk and milk products, including low-fat products, was achieved through legislation. The sale and fixing of price discounts for milk in gallon jugs were

permitted in Philadelphia, suburban Philadelphia, and Pittsburgh. Premiums for Vitamin D and chocolate-flavored milk were eliminated.

RECENT PROPOSALS FOR NEW STATE CONTROL LAWS

SOUTH CAROLINA

Under new legislation, the Milk Control Commission is composed of 3 dairymen, 2 distributors, 3 consumers, and a retailer. The law guarantees prices to farmers and bars the sale of milk, cottage cheese, ice cream, and frozen desserts at prices below cost.

In their 1961 and 1962 legislative sessions a number of States considered legislation to establish State Milk control boards or commissions to function independently or within the State Department of Agriculture. They are as follows:

State	Proposed Level of Price Fixing
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VERMONT

An amended set of rules and regulations governing unfair trade practices was released. A cooperative may now negotiate with a handler for deduction of dues.

The Commissioner must report immediately to the Attorney General suspension of a license for failure to meet bonding requirements.

VIRGINIA

A measure has been passed which provides for inspection of milk from the farm to the processing plant by the Department of Agriculture and inspection from the plant to consumer by the State Health Department.

Colorado	Resale
Connecticut	Resale
Indiana	Resale
Illinois	Retail "Sales Less Than Cost"
Iowa	Trade practices related to resale
Kansas	Resale
Michigan	Resale "Sales Below Cost"
New Mexico	Resale
New York	Resale
North Dakota	Producer
Ohio	Resale "Selling Dairy Products Below Cost"
Washington	Producer and resale
Wisconsin	Producer and resale (Farm Marketing Orders)

Table 1.--Pricing practices of State Milk Control Agencies, August 1962

State	Minimum price regulation	Type of price plan	Number of classes used	Class I prices follow manufacturing milk prices	Type of pool		Dealer buying prices same in all markets
					Market-wide	Individual handler	
	Producer:	Wholesale:	Retail:				
Alabama	Yes	1/	1/	Classified	---	Yes	Yes
California	Yes	Yes	Yes	Classified	---	Yes	No
Florida	Yes	No	No	Classified	---	Yes	Yes 2/
Georgia	Yes 1/	1/	1/	Classified	---	Yes	Yes 3/
Louisiana	Yes	---	---	Classified	Yes	Yes	No
Maine	Yes	Yes	Yes	Classified	---	Yes	Yes
Massachusetts	Yes	---	---	Classified	---	Yes	No
Mississippi	Yes	Yes 6/	Yes 6/	Classified	---	Yes	No
Montana	Yes	Yes	Yes	Classified	Yes	Yes	No
Nevada	Yes	Yes	Yes	Classified	---	No	No
New Hampshire	Yes	Yes	Yes	Classified	---	Yes	No
New Jersey	Yes	Yes	Yes	Classified	---	Yes	No
New York	Yes	---	---	Classified	---	Yes	No
North Carolina	Yes	---	---	Classified	---	Yes	No
Oregon	Yes	---	---	Classified	---	9/	No
Pennsylvania	Yes	Yes 6/	Yes 6/	Classified	---	Yes	No
South Carolina	No 10/	No 10/	No 10/	Classified	---	Yes	No
Vermont	Yes	Yes	Yes	Flat	---	---	No
Virginia	Yes	1/	1/	Classified	---	Yes	Yes
Wyoming	Yes	Yes	Yes	Classified	---	Yes	Yes

1/ Price regulation is for maximum and minimum prices. 2/ A "plant pool" is the point of pooling, that is, a separate pool for each bottling plant. 3/ Classes II, III, and IV vary slightly across the northern part of Florida. 4/ A producer price index sets Class I and II prices, and a butter price index fixes producer Class III price. 5/ An economic formula index is computed, the numerical size of which sets the monthly Class I price. 6/ Minimum and maximum may be fixed; however, only minimum prices are now effective. 7/ When a Federal milk order and a State order are in effect in the same area, the producer paying price is the higher order price. 8/ In Area No. 1, New York-New Jersey Federal order No. 2, manufacturing grade milk prices are used to establish Class I prices; a different basis is used in South Jersey, Areas II and III. 9/ Area No. 1, Northern New Jersey, marketwide--two South Jersey markets, individual handler. 10/ Prices are not established at any level; wholesale and retail prices are under a control program by audit and filing of prices with the Commission and competitors.

Table 2.--Measures of growth in Federal milk order markets, 1947-61

Year	Number of markets	Number of handlers 1/	Number of producers 2/	1,000 lb.	Percent age of producer deliveries used in class 1	Receipts as percent- age of milk sold to plants and dealers	Daily deliveries per producer
	<u>Number</u>	<u>Number</u>	<u>Number</u>	<u>1,000 lb.</u>	<u>Percent</u>	<u>Percent</u>	<u>Pounds</u>
1947	29	991	135,830	14,980,301	65.5	21.2	301
1948	30	963	136,363	15,019,637	65.6	21.8	301
1949	33	966	142,995	17,049,170	59.3	23.3	328
1950	39	1,101	156,584	18,659,790	58.9	25.1	336
1951	44	1,343	172,327	20,116,620	63.2	27.0	344
1952	49	1,352	176,752	22,998,107	63.8	29.8	360
1953	49	1,308	183,479	25,895,718	59.6	30.6	387
1954	53	1,333	186,127	27,140,234	59.6	30.9	403
1955	63	1,483	188,611	28,948,067	62.3	31.8	430
1956	68	1,486	183,830	31,379,533	62.5	32.9	469
1957	68	1,889	182,551	33,455,338	63.8	34.0	508
1958	74	1,962	186,155	36,355,658	64.1	36.5	547
1959	77	2,197	187,576	40,149,083	65.4	39.8	601
1960	80	2,259	189,816	44,812,259	64.2	43.2	648
1961 3/	81	2,307	193,107	48,802,113	61.1	45.1	703

1/ End of year.

2/ Average for year.

3/ Preliminary.

Compiled by Program Analysis Branch, MMOD-ASCS.

Table 3.--An illustration of milk pricing formula using manufacturing milk prices (Calculation of Class I, Class II, and Class III prices under Chicago, Illinois Milk Order, May 1962)

Item	Price per 100 pounds (3.5 percent milkfat test)
<u>Dollars</u>	
Basic formula price: Minnesota-Wisconsin Manufacturing Grade Milk Price (May)	3.01
Derivation of Class prices: Class I price: Basic formula for preceding month (April) Add May differential (\$0.70)	\$3.05 +.70 <u>3.75</u>
Supply-demand adjustment: When average percentage of milk in Class I and in Class II varies from the average "Standard utilization percentage", add or subtract 2 cents for each point above or below 72 percent. (72-52 = 20) (-20 x \$0.02 = \$-0.40)	
Maximum adjustment limited to plus or minus 24 cents	<u>-.24</u>
Class I price	3.51
Class II Price Basic formula for preceding month (April) Add May differential (\$0.45)	\$3.05 .45 <u>3.50</u>
Supply-demand adjustment: (Same as computed for Class I price) Maximum adjustment limited to plus or minus 24 cents	
Class II price	<u>-.24</u>
Class III Price Basic formula for current month (May) Class III price	3.26 3.01

Compiled by Program Analysis Branch, MMOD-ASCS.

Table 4.--An illustration of milk pricing formula using economic indexes (Calculation of Class I-A price under New York Federal Milk Order, May 1962)

Item	Price per 100 pounds (3.5 percent milkfat test)
<u>Dollars</u>	
Adjusted base price: Bureau of Labor Statistics wholesale price index, March 1962, 108.0 (1955 = 100), times base price, \$5.20, as specified in order	5.62
Supply-demand adjustment: Deviation of current percentage of milk in Class I from the "base utilization percentage" times adjusted base price (-0.0942 x \$5.62) Net price before seasonal adjustment	-0.33 <u>5.29</u>
Seasonal adjustment (-0.88 x 5.29)	<u>-0.63</u>
Class I-A price	4.66

Compiled by Program Analysis Branch, MMOD-ASCS.

Table 5.--Type of formula used in determining Class I price in each of the Federal order markets, July 1, 1962

|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|

^{1/} Class I price is specified in the order subject to an adjustment based on the average of Federal Order Class I prices for the Philadelphia, New York-New Jersey, and Chicago markets.

Compiled by the Program Analysis Branch, MMOD, ASCS.

Table 6.--Type of pool and seasonal incentive plans used in each Federal milk order market, July 1, 1962

Marketing area	Type of pool	Type of seasonal incentive plan	Type of pool	Type of seasonal incentive plan	Marketing area	Type of pool	Type of seasonal incentive plan	Type of pool	Type of seasonal incentive plan
NEW ENGLAND					WEST NORTH CENTRAL -Con.				
Boston		X		X	Cedar Rapids-Iowa City			X	X
Springfield		X		X	Quad Cities-Dubuque			X	X
Worcester		X		X	Des Moines			X	X
Southeastern New England		X		X	Sioux City			X	X
Connecticut		X		X	Nebraska-Western Iowa			X	X
					Southern Group				
MIDDLE ATLANTIC					St. Joseph				
New York-New Jersey		X		X	St. Louis			X	X
Philadelphia	X			X	Ozarks			X	X
					Kansas City			X	X
SOUTH ATLANTIC					Neosho Valley			X	X
Wilmington	X			X	Wichita			X	X
Upper Chesapeake Bay		X		X	Southwest Kansas			X	X
Washington, D. C.		X		X					
Wheeling		X		X	EAST SOUTH CENTRAL				
Clarksburg		X		X	Paducah				
Tri-State	X			X	Nashville			X	X
Appalachian		X		X	Memphis		X	X	X
Southeastern Florida		X		X	Knoxville			X	X
					Chattanooga			X	X
EAST NORTH CENTRAL					Mississippi Delta			X	X
Eastern Group					Central Mississippi			X	X
Upstate Michigan		X		X	Mississippi Gulf Coast			X	X
Muskegon		X		X					
Southern Michigan		X		X	WEST SOUTH CENTRAL				
Toledo	X			X	Northern Group				
Northeastern Ohio		X		X	Central Arkansas			X	X
North Central Ohio	X			X	Fort Smith		X	X	X
Columbus		X		X	Oklahoma Metropolitan			X	X
Dayton-Springfield		X		X	Red River Valley			X	X
Cincinnati		X		X	Texas Panhandle			X	X
Youngstown-Warren		X		X	Lubbock-Plainview			X	X
Western Group					Southern Group				
Michigan Upper Peninsula	X			X	Northern Louisiana			X	X
Northeastern Wisconsin		X		X	New Orleans			X	X
Milwaukee	X			X	North Texas			X	X
Rock River Valley		X		X	Central West Texas			X	X
Chicago		X		X	Austin-Waco			X	X
South Bend-LaPorte-Elkhart		X		X	San Antonio		X	X	X
Fort Wayne		X		X	Corpus Christi		X		X
Louisville-Lexington-Evansville		X		X					
Indianapolis		X		X	MOUNTAIN				
Suburban St. Louis		X		X	Eastern Colorado			X	X
Madison		X		X	Great Basin			X	X
					Western Colorado		X		
WEST NORTH CENTRAL					Colorado Springs-Pueblo			X	X
Northern Group					Central Arizona			X	X
Duluth-Superior					Rio Grande Valley				
Minneapolis-St. Paul		X		X					
Eastern South Dakota		X		X	PACIFIC				
Sioux Falls-Mitchell		X		X	Puget Sound			X	X
Black Hills		X		X	Inland Empire			X	X
North Central Iowa	X			X					

Compiled by the Program Analysis Branch, MMOD, ASGS.

Table 7.--Powers of State Milk Control Agencies,
July 1962

State	To require a license	Of producers	Of distributors	For specific markets of areas	To require bond	To investigate	To inspect and audit	To require records and periodic reports	To test and weigh producer milk	To require producer-distributor contract of sale
Alabama	x	x	x	x	x	x	x	x	x 1/	x
California	x 2/	x	x	x	x	x	x	x	x 2/	x
Florida	x	x	x	x	---	x	x	x	x 4/	---
Georgia	x	x	x	x	x	x	x	x	x 4/	x
Louisiana	---	x	x	x	---	x	x	x	x 5/	---
Maine	---	x	x	x	---	x	x	x	x 1/	---
Massachusetts	---	x	x	x	x 6/	x	x	x	x 3/	---
Mississippi	---	x	x	x	x	x	x	x	x 1/	---
Montana	x	x	x	x	---	x	x	x	x 1/	---
Nevada	x 2/	x	x	x	x	x	x	x	x 7/	x
New Hampshire	---	x	x	x	x 6/	x	x	x	x 1/	---
New Jersey	---	x	x	x	x 6/	x	x	x	x 1/	---
New York	---	x	x	x	x	x	x	x	x 6/	---
North Carolina	---	x	x	x	---	x	x	x	x 3/	---
Oregon	---	x	x	x	---	x	x	x	x 6/	---
Pennsylvania	---	10/	x	x	x	x	x	x	x 1/	x 2/
South Carolina	---	---	x	x	---	x	x	x	x 3/	---
Vermont	---	---	x	x	x 6/	x	x	x	x 1/	---
Virginia	---	10/	x	x	---	x	x 11/	x	x 1/	---
Wyoming	x 12/	x	x	x	---	x	x	x	x 6/	---

1/ State Department of Agriculture examines and licenses testers, inspectors, and certifies equipment.
2/ Requires registration of producers.

3/ Complete program responsibility charged to the Director of Agriculture or Milk Control Agency.

4/ A permit to do such work must be obtained from Commissioner of Agriculture.

5/ Division of Milk Testing, Department of Agriculture, maintains milkfat testing service for the dairy farmers of the State.

6/ State Department of Agriculture may require a bond to be negotiated.

7/ The Commissioner of Food and Drugs is responsible for issuing licenses and inspecting equipment used.

8/ Supervision of program rests in the State Department of Agriculture, but some check testing is done by Control Agency.

9/ Producers may make blend price contracts with cooperatives, dealers, or others.

10/ Producer-distributors must be licensed.

11/ Inspects but does not audit.

12/ An assessment may be levied against producer sales and processors' and distributors' purchases.

Table 8.--Some practices used by State Milk Control agencies, July 1962

State	Type of seasonal plan	Pro-visions for producer quota	Provided	Sales promotion	
				Promotion financed by:	
				Assessments on:	Appropriated funds
Alabama	No	Yes	No	---	---
California	No <u>1/</u>	No	Yes	Producer and handler	---
Florida	No	Yes	No	---	---
Georgia	Producer base plan	No	Yes	---	Yes
Louisiana	Base-excess	No	No	---	---
Maine	Varying Class I prices	Yes	Yes	Producer and handler	---
Massachusetts	Varying Class I prices	No	Yes	Producer and handler	---
Mississippi	Varying Class I prices	Yes <u>2/</u>	No	---	---
Montana	No	Yes	No	---	---
Nevada	No	---	No	---	---
New Hampshire	Varying Class I prices	No	No	---	---
New Jersey	No	No	No	---	---
New York	Fall premium plan <u>3/</u>	No	Yes	Producer	---
North Carolina	Producer base plan	Yes	No	---	---
Oregon	Producer base plan	No	Yes <u>4/</u>	Producer <u>4/</u>	---
Pennsylvania	Varying Class I prices	Yes <u>2/</u>	No	---	---
South Carolina	Producer base plan	No	No	---	---
Vermont	None	No	Yes	Producer and handler	---
Virginia	Base-excess	Yes	No	---	---
Wyoming	Producer base plan	No	No	---	---

1/ Seasonal pricing provisions removed as of April 1, 1962.

2/ The Commission appears to have such authority under its broad general powers; none is now being exercised.

3/ Niagara Frontier and Rochester State Orders are under the Fall premium plan; New York-New Jersey operates under seasonally varying Class I prices.

4/ The Oregon Dairy Products Commission, a semi-official State organization, conducts a promotion program, financed by a 2-cent per hundred weight assessment on all production.

Table 9.--States which prohibit below cost dairy product sales

State	Sales level where prohibited		Method of determining below cost sales		Prohibited practices				
	Wholesale	Retail	Percentage markup		Price schedules furnished to State	Normal markup over producer prices	Indi-vidual discounts and rebates	Tie-in sales	Free service or equipment
			Pct.	Pct.					
Arkansas	X	---	<u>4</u>	---	---	X	X	X	X <u>1/</u>
Connecticut	X	X	2	6.75	---	X	X	X	X
Kentucky <u>2/</u>	X	X	---	---	X	X	X	X	X
Minnesota	X	X	2	8	X	X	X	X	X
Missouri	X	X	2	8	---	X	X	X	X
Tennessee	X	X	2	8	X	X	X	X	X
Utah	X	X	<u>3/</u>	6	---	X	X	X	---
Wisconsin <u>4/</u>	X	X	2.75	6	---	X	X	X	X

1/ Permits a deduction of not less than 10 percent per year allowance on the age of equipment.

2/ Only after auditing can it be ruled that sales are below cost.

3/ Flat markup of 0.75 cent per quart.

4/ Wisconsin has two laws covering this field: "Under 6% Law" and "Dairy Trade Practice Law."

Table 10.--Average number of producers delivering milk, average daily delivery per producer during year; number of handlers at end of year, and 1960 population in 55 selected marketing areas under Federal orders, 1961

Marketing area	Producers delivering milk	Daily deliveries per producer	Handlers at end of year	Population 1960
	Number	Pounds	Number	Thousands
NEW ENGLAND				
Southeastern N.Eng., R. I.-Mass.	2,197	803	107	1,639
Connecticut	3,089	941	104	2,535
SOUTH ATLANTIC				
Wilmington, Del.	553	867	12	298
Upper Chesapeake Bay, Md.	2,349	772	26	2,093
Washington, D. C., Va.-Md.	2,306	1,180	17	2,165
Wheeling, W. Va.-Ohio	1,009	434	22	440
Clarksburg, W. Va.	424	457	6	237
Appalachian, Tenn.-Va.-W.Va.-Ky.	924	688	13	560
Southeastern Florida	97	13,371	14	1,545
EAST NORTH CENTRAL				
Upstate Michigan	264	631	14	172
Muskegon, Mich.	426	699	18	236
Southern Michigan	14,117	633	161	6,377
Northeastern Ohio	8,787	543	65	2,936
Youngstown-Warren, Ohio	1,165	555	15	516
Michigan Upper Peninsula, Mich.-Wis.	683	494	27	335
Northeastern Wisconsin	1,368	824	70	918
Milwaukee, Wis.	2,029	865	11	1,140
Rockford-Freeport, Ill.	208	918	7	224
Ohio Valley, Ind.-Ky.	1,013	544	13	583
Indianapolis, Ind.	4,273	553	39	1,687
Suburban St. Louis, Ill.	1,669	523	19	753
WEST NORTH CENTRAL				
Eastern South Dakota	127	827	11	98
Sioux Falls-Mitchell, S. Dak.	314	880	7	78
Black Hills, S. Dak.	118	1,118	9	103
North Central Iowa	892	871	31	528
Cedar Rapids-Iowa City, Iowa	770	743	6	125
Des Moines, Iowa	1,050	776	20	658
Nebraska-Western Iowa	1,708	757	35	1,253
St. Joseph, Mo.-Kans.	475	805	7	229
Ozarks, Mo.-Ark.	1,048	580	8	428
Neosho Valley, Mo.	654	625	10	343
Southwest Kansas	210	989	6	120
EAST SOUTH CENTRAL				
Memphis, Tenn.-Miss.-Ark.	1,023	704	13	835
Chattanooga, Tenn.	681	689	12	310
Mississippi Delta, Miss.	378	789	11	610
Central Mississippi	847	670	18	837
Mississippi Gulf Coast	420	469	8	238
WEST SOUTH CENTRAL				
Central Arkansas	902	739	15	584
Fort Smith, Ark.	182	654	2	60
Oklahoma Metropolitan	2,339	713	21	1,060
Red River Valley, Texas-Okla.	542	910	11	435
Texas Panhandle, Texas-Okla.	484	984	10	352
Northern Louisiana	511	849	14	556
North Texas	2,566	1,050	20	1,933
Central West Texas	443	1,145	5	466
Austin-Waco, Texas	366	1,122	9	658
San Antonio, Texas	539	1,358	10	687
Corpus Christi, Texas	359	1,263	11	693
MOUNTAIN				
Eastern Colorado	1,418	888	37	1,150
Great Basin, Utah-Nev.-Wyo.	1,286	867	24	836
Western Colorado	111	888	4	85
Colorado Springs-Pueblo, Colo.	342	979	10	273
Central Arizona	352	3,506	16	1,114
PACIFIC				
Puget Sound, Wash.	3,237	967	47	1,672
Inland Empire, Wash.-Idaho	635	693	11	352

Compiled by the Program Analysis Branch, MMOD-ASCS.

Table 11.--Average number of producers delivering milk, average daily delivery per producer during year, number of handlers at end of year, and 1960 population in 26 marketing areas which have been under Federal order regulation during entire period, 1950 through 1961, with comparisons

Marketing area	Producers delivering milk			Daily deliveries per producer			Handlers at end of year			Population
	: 1950 : 1961 : 1961 as a :			: 1950 : 1961 : 1961 as a :			: 1950 : 1961 : 1961 as a :			
	No.	No.	Pct.	Lb.	Lb.	Pct.	No.	No.	Pct.	
NEW ENGLAND										
Boston, Mass.	13,410	9,718	72.5	300	584	194.7	55	75	136.4	2,888
Springfield, Mass.	1,431	849	59.3	322	627	194.7	50	24	48.0	455
Worcester, Mass.	878	1,063	121.1	357	652	182.6	55	42	76.4	472
MIDDLE ATLANTIC										
New York-New Jersey	50,353	47,872	95.1	374	635	169.8	124	359	289.5	18,491
Philadelphia, Pa.	8,962	6,674	74.5	331	668	201.8	56	41	73.2	2,949
SOUTH ATLANTIC										
Tri-State, W.Va.-Ky.-Ohio	1,711	1,562	91.3	211	467	221.3	27	28	103.7	806
EAST NORTH CENTRAL										
Toledo, Ohio-Mich.	1,967	1,141	58.0	234	816	348.7	11	13	118.2	639
North Central Ohio	349	1,139	326.4	251	618	246.2	8	19	237.5	312
Columbus, Ohio	2,218	1,311	59.1	265	743	280.4	20	12	60.0	817
Dayton-Springfield, Ohio	2,495	1,843	73.9	256	682	266.4	27	16	59.3	607
Cincinnati, Ohio	5,556	3,962	71.3	106	438	235.5	37	46	124.3	1,472
Chicago, Ill.	24,012	18,567	77.3	432	820	189.8	128	84	65.6	6,443
S.Bend-LaPorte-Elkhart, Ind.	805	785	97.5	291	724	248.8	21	21	100.0	441
Fort Wayne, Ind.	1,291	893	69.2	221	510	230.8	13	18	138.5	424
WEST NORTH CENTRAL										
Duluth-Superior, Minn.-Wis.	1,409	1,034	73.4	209	446	213.4	10	6	60.0	209
Minneapolis-St. Paul, Minn.	5,788	3,543	61.2	322	797	247.5	35	28	80.0	1,342
Quad Cities-Dubuque, Iowa-Ill.	1,088	771	70.9	754	829	109.9	30	24	80.0	462
Sioux City, Iowa-Neb.-S.Dak.	526	177	33.7	202	1,026	507.9	8	4	50.0	106
St. Louis, Mo.-Ill.	4,299	3,046	70.9	306	679	221.9	43	23	53.5	1,661
Kansas City, Mo.-Kans.	2,746	2,723	99.2	297	726	244.4	23	30	130.4	1,502
Wichita, Kans.	834	949	113.8	298	841	282.2	7	18	257.1	486
EAST SOUTH CENTRAL										
Louisville-Lexington, Ky.-Ind.	2,136	2,335	109.3	317	632	199.4	28	27	96.4	1,225
Paducah, Ky.	294	455	154.8	212	556	262.3	4	9	225.0	224
Nashville, Tenn.-Ky.	915	1,413	154.4	371	638	172.0	10	16	160.0	823
Knoxville, Tenn.	602	879	146.0	380	621	163.4	14	12	85.7	294
WEST SOUTH CENTRAL										
New Orleans, La.	2,829	2,094	74.0	223	561	251.6	26	32	123.1	1,028

Compiled by the Program Analysis Branch, NMWD-ASCS.

Table 12.--Percentage of receipts from producers used in Class I by handlers regulated under 60 Federal milk order markets, 1957-61

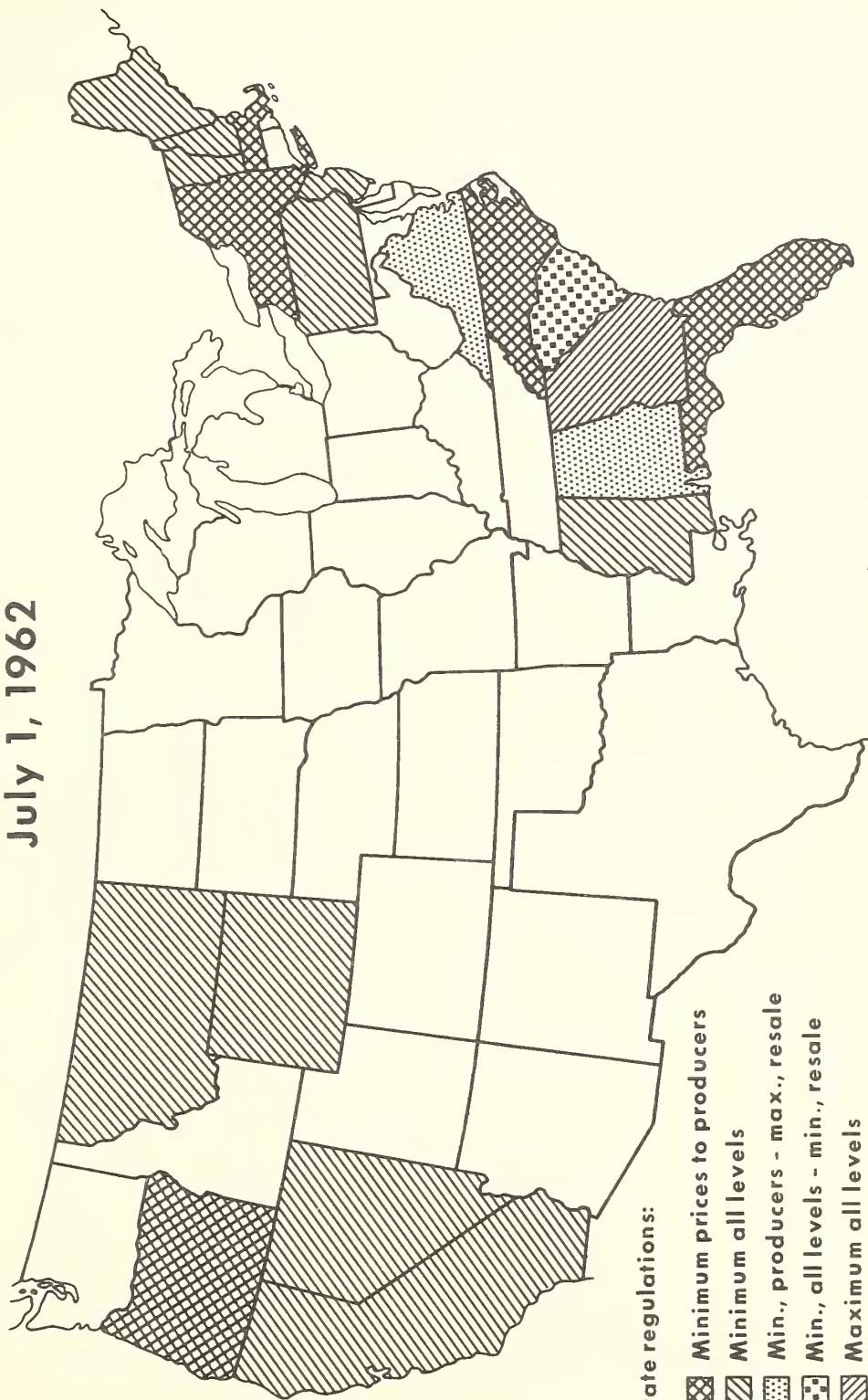
Region and market	1957	1958	1959	1960	1961	Region and market	1957	1958	1959	1960	1961
			Percent						Percent		
NEW ENGLAND						WEST NORTH CENTRAL -Con.					
Boston	56.4	54.7	60.5	58.0	53.8	St. Louis	79.2	80.8	78.7	74.7	71.1
Springfield	76.0	75.0	74.6	74.8	71.6	Ozarks	67.5	71.1	72.0	70.9	64.8
Worcester	81.5	77.5	77.5	77.3	72.1	Kansas City	73.4	77.1	72.4	70.7	66.6
						Neosho Valley	72.0	76.4	70.4	62.1	59.5
MIDDLE ATLANTIC						Wichita	72.5	76.0	68.9	65.3	64.2
New York-New Jersey	53.6	55.1	55.1	51.7	49.0	Southwest Kansas	71.2	81.4	76.2	76.2	64.3
Philadelphia	74.4	75.5	74.1	72.3	72.1						
SOUTH ATLANTIC						EAST SOUTH CENTRAL					
Wilmington	83.0	90.4	92.1	90.9	80.2	Louisville-Lexington	69.1	71.6	73.2	73.8	64.7
Wheeling	83.7	80.7	78.6	77.9	79.1	Paducah	88.2	91.3	94.3	90.5	89.2
Clarksburg	83.8	78.8	83.4	81.2	81.7	Nashville	71.6	80.1	81.9	78.3	74.0
Tri-State	85.3	86.6	88.1	86.1	82.5	Memphis	89.9	89.5	89.5	88.9	90.4
Appalachian	85.4	88.9	91.0	90.0	84.1	Knoxville	78.4	83.8	84.0	80.4	76.9
						Chattanooga	76.8	78.9	79.1	81.5	73.6
						Central Mississippi	74.6	79.3	78.6	78.7	67.8
EAST NORTH CENTRAL											
Upstate Michigan	80.3	77.8	76.5	71.6	67.1	WEST SOUTH CENTRAL					
Muskegon	78.3	76.0	79.1	75.7	69.6	Central Arkansas	91.5	90.4	87.1	88.7	89.7
Southern Michigan	69.0	65.7	63.7	68.3	63.0	Fort Smith	76.5	86.1	80.3	84.1	87.7
Toledo	88.8	89.1	85.6	83.2	77.4	Oklahoma Metropolitan	75.3	76.6	73.6	73.1	65.4
Northeastern Ohio	75.8	71.4	71.0	69.1	61.4	Texas Panhandle	89.9	88.2	89.6	85.0	73.4
North Central Ohio	84.7	86.3	86.6	83.3	77.4						
Columbus	79.2	79.5	83.1	79.1	76.9	Northern Louisiana	94.1	94.2	94.5	88.1	85.0
Dayton-Springfield	74.7	76.9	80.7	74.0	70.8	New Orleans	71.8	74.0	73.1	69.9	64.5
Cincinnati	64.4	67.3	69.4	65.7	64.5	North Texas	76.4	76.6	70.6	73.7	69.3
						Central West Texas	86.1	88.6	86.3	83.2	80.3
Milwaukee	79.1	77.4	79.4	79.3	77.2	Austin-Waco	87.7	92.9	93.6	93.2	90.4
Rockford-Freeport	75.0	79.7	86.3	87.1	76.1	San Antonio	95.2	88.4	91.0	86.7	79.5
Chicago	47.0	45.0	45.6	45.0	41.9	Corpus Christi	94.0	94.9	92.4	92.1	86.8
South Bend-LaPorte-Elkhart	70.8	73.0	77.0	74.1	73.2						
Fort Wayne	61.0	59.9	61.9	63.3	71.4	MOUNTAIN					
						Central Arizona	86.0	83.8	77.8	81.2	78.7
WEST NORTH CENTRAL											
Duluth-Superior	44.1	45.5	47.9	52.9	54.6	PACIFIC					
Minneapolis-St. Paul	63.8	65.1	68.4	67.0	62.6	Puget Sound	57.9	54.8	54.1	50.7	48.0
Eastern South Dakota	89.2	78.4	69.1	76.6	71.0	Inland Empire	74.8	72.9	72.4	71.9	73.6
Sioux Falls-Mitchell	68.2	66.7	66.7	71.6	72.8						
Black Hills	79.0	76.6	78.2	76.4	75.2	60 market average 1/	63.6	63.5	63.9	62.4	59.0
Cedar Rapids-Iowa City	62.1	69.1	83.5	76.7	60.5						
Quad Cities-Dubuque	52.4	55.7	59.5	62.0	64.4						
Sioux City	73.6	78.5	80.7	76.9	64.9						
Nebraska-Western Iowa	71.7	80.3	80.9	80.3	74.6						

1/ Markets where orders were in effect during entire period, 1957-61.






Compiled by the Program Analysis Branch, Milk Marketing Orders Division, ASCS

STATES REGULATING FLUID MILK PRICES

July 1, 1962



State regulations:

-  Minimum prices to producers
-  Minimum all levels
-  Min., producers - max., resale
-  Min., all levels - min., resale
-  Maximum all levels

Classification of states based on authority currently being exercised.

